

VZCZCXRO7092
RR RUEHFL RUEHKW RUEHLA RUEHROV RUEHSR
DE RUEHWR #0837 1970904
ZNY CCCCC ZZH
R 150904Z JUL 08
FM AMEMBASSY WARSAW
TO RUEHC/SECSTATE WASHDC 6761
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE
RUEHGB/AMEMBASSY BAGHDAD 0151
RUEHKW/AMCONSUL KRAKOW 2132
RUEATRS/DEPT OF TREASURY WASHDC
RUEHBS/USEU BRUSSELS
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC

C O N F I D E N T I A L WARSAW 000837

SIPDIS

STATE FOR EUR/NCE/BPUTNEY

E.O. 12958: DECL: 07/12/2018
TAGS: [EFIN](#) [ECON](#) [PREL](#) [PGOV](#) [IZ](#) [PL](#)
SUBJECT: RECENT POLISH PROGRESS ON IRAQI DEBT

REF: WARSAW 828

Classified By: Acting Econ Counselor Worth Anderson for reasons:
1.4(b,d)

11. (C) EconOffs met on July 10 with Wojciech Rzasiecki, Deputy Director of the Guarantees Department in the Polish Ministry of Finance, to get the latest readout on Iraqi debt. According to Rzasiecki, Finance Minister Jan Vincent Rostowski had recently held interministerial meetings with the Ministry of Foreign Affairs and Ministry of Economy to build consensus on resolving Poland's Iraqi debt, and had gained the support of Foreign Minister Sikorski and Economic Minister Pawlak to write off the debt. The Ministry of Finance was currently preparing a draft resolution package that would include a writeoff under Paris Club terms of 80% of Iraq's \$840 million debt to Poland, to be paid in tranches over time. Rzasiecki believed the draft would be completed by Fall 2008. After receiving further instructions from Prime Minister Tusk, the package would then be sent to the Law Firm of Houlihan Lokey Howard and Zukin in London, which is negotiating Iraqi debt with non-Paris Club members. Rzasiecki suggested that politically, the right moment to announce the decision would coincide with the withdrawal of Polish troops from Iraq.

12. (C) According to Rzasiecki, the key technical challenges were currently finding ways to fit the write-off into the national budget so that it would not cause Poland to slip back into excessive deficit procedures from the EU; such procedures on Poland were just lifted on July 8 after Poland posted a better than expected budget deficit in 2007 of 2% of GDP (reftel). Rzasiecki noted that the strong zloty would make the write-off a little less painful. The key political challenges would likely entail getting a final buy-off from the Prime Minister's chancery and perhaps even more difficult, President Kaczynski. While not needing a vote in the Polish Parliament, Rzasiecki noted the final resolution would likely require a "mini-ratification" by Kaczynski to sign into law. Pending political consensus, the package could be ready in time for Poland's 2009 or 2010 budget.

13. (C) Rzasiecki said that the process was moving again in part because conditions laid out by former Finance Minister Zyta Gilowska, namely that Poland's embassy be moved to the Green Zone, had been met by Iraq. Due to realities on the ground, the Polish Government had elected to be more forgiving about the other primary condition Gilowska had insisted on earlier, namely better economic cooperation between Poland and Iraq. Also noted by Econoffs was a new openness and willingness to share information in this latest meeting; Rzasiecki told Econoffs that this was a direct result of the change of finance ministers.

QUANRUD